LOAN AGREEMENT
(Special Operations)
(Climate Resilient Rice Commercialization Sector Development Program)

between

KINGDOM OF CAMBODIA

and

ASIAN DEVELOPMENT BANK

DATED 26 AUGUST 2013
LOAN AGREEMENT
(Special Operations)

LOAN AGREEMENT dated 26 August 2013 between KINGDOM OF CAMBODIA ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) ADB has received from the Borrower a development policy letter dated 30 April 2013 ("Policy Letter"), setting forth certain objectives, policies and actions, described in Schedule 1 to this Loan Agreement, designed to develop the Borrower's rice sector ("Program");

(B) by a loan agreement of even date herewith between the Borrower and ADB ("Project Loan Agreement"), ADB has agreed to provide a loan to the Borrower in various currencies equivalent to twenty million six hundred eight thousand Special Drawing Rights (SDR20,608,000) for the purposes of the Climate Resilient Rice Commercialization Sector Development Project ("Project"), described in Schedule 1 to the Project Loan Agreement;

(C) by a loan agreement of even date herewith between the Borrower and ADB ("SCF Loan Agreement"), ADB has agreed to provide from the ADB Strategic Climate Fund a loan in an amount of five million Dollars ($5,000,000) for the purposes of the Project;

(D) by a grant agreement of even date herewith between the Borrower and ADB ("SCF Grant Agreement"), ADB has agreed to provide from the ADB Strategic Climate Fund a grant in an amount of four million five hundred thousand Dollars ($4,500,000) for the purposes of the Project;

(E) by a grant agreement of even date herewith between the Borrower and ADB ("GAFSP Grant Agreement"), ADB has agreed to administer a grant provided by the Global Agriculture and Food Security Program ("GAFSP") in an amount of fourteen million six hundred thousand Dollars ($14,600,000) for the purposes of the Project;

(F) the Borrower has applied to ADB for a loan for the purposes of the Program; and

(G) ADB has agreed to make a loan to the Borrower from ADB's Special Funds resources upon the terms and conditions set forth herein;

NOW THEREFORE the parties agree as follows:
ARTICLE I
Loan Regulations; Definitions

Section 1.01. All the provisions of the Special Operations Loan Regulations of ADB, dated 1 January 2006 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications:

(a) Section 2.01(24) is deleted and the following is substituted therefor:

24. The term “Program” means the program for which ADB has agreed to make the Loan, as described in the Loan Agreement and as the description thereof may be amended from time to time by agreement between ADB and the Borrower.

(b) The term “Project” wherever it appears in the Loan Regulations shall be substituted by the term “Program”.

(c) Section 2.01(26) is deleted and the following is substituted therefor:

26. The term “Program Executing Agency” means the entity or entities responsible for the carrying out of the Program as specified in the Loan Agreement.

(d) The term “Project Executing Agency” wherever it appears in the Loan Regulations shall be substituted by the term “Program Executing Agency”.

Section 1.02. Wherever used in this Loan Agreement, the several terms defined in the Loan Regulations and the Project Loan Agreement have the respective meanings therein set forth unless modified herein or the context otherwise requires. Additional terms used in this Loan Agreement have the following meanings:

(a) “Counterpart Funds” means the local currency generated from the Loan proceeds under the Program and referred to in paragraph 4 of Schedule 4 to this Loan Agreement;

(b) “Deposit Account” means the account referred to in paragraph 3 of Schedule 3 to this Loan Agreement;

(c) “Eligible Imports” means the total imports of the Borrower during the relevant period minus the following imports during the same period:

(i) imports of ineligible items specified in Attachment 1 to Schedule 3 to this Loan Agreement; and

(ii) imports financed by official international or bilateral aid agencies or any other loans or grants made by ADB;
(d) “Eligible Items” means the Eligible Imports and services in connection with the delivery and installation of such imports and consulting services;

(e) “First Tranche” means the portion of the proceeds of the Loan in an amount in various currencies equivalent to seven million nine hundred seventy-seven thousand Special Drawing Rights (SDR7,977,000) to be withdrawn pursuant to and subject to the provisions of paragraph 4 of Schedule 3 to this Loan Agreement;

(f) “MEF” means the Ministry of Economy and Finance of the Borrower or any successor thereto acceptable to ADB;

(g) “MIME” means the Ministry of Industry, Mines and Energy of the Borrower or any successor thereto acceptable to ADB;

(h) “Program Executing Agency” for the purposes of, and within the meaning of, the Loan Regulations means the MEF or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Program; and

(i) “Second Tranche” means the balance of the proceeds of the Loan remaining in the Loan Account after the utilization of the First Tranche, to be withdrawn pursuant to and subject to the provisions of paragraph 5 of Schedule 3 to this Loan Agreement.

ARTICLE II
The Loan

Section 2.01. ADB agrees to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to fifteen million nine hundred fifty-five thousand Special Drawing Rights (SDR15,955,000).

Section 2.02. (a) The Borrower shall pay to ADB an interest charge at the rate of 1% per annum during the grace period, and 1.5% per annum thereafter, on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

(b) The term “grace period” as used in paragraph (a) of this Section means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 1 June and 1 December in each year.

Section 2.04. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.
Section 2.05. The currency of repayment of the principal of the Loan and the currency of payment of the interest charge for the purposes of Sections 4.03(a) and 4.04 of the Loan Regulations shall be the Dollar.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied to the financing of expenditures on the Program in accordance with the provisions of this Loan Agreement.

Section 3.02. The proceeds of the Loan shall be withdrawn in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. Except as ADB may otherwise agree, the Borrower shall procure, or cause to be procured, the Eligible Items to be financed out of the proceeds of the Loan in accordance with paragraph 5 of Schedule 4 to this Loan Agreement.

Section 3.04. Withdrawals from the Loan Account shall be made only on account of expenditures relating to Eligible Items which meet the eligibility requirements as shall have been specified by ADB from time to time.

Section 3.05. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 30 June 2017 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Program, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 4 to this Loan Agreement.

Section 4.02. (a) The Borrower shall maintain, or cause to be maintained, records and documents adequate to identify the Eligible Items financed out of the proceeds of the Loan and to record the progress of the Program.

(b) The Borrower shall enable ADB’s representatives to inspect any relevant records and documents referred to in paragraph (a) of this Section.

Section 4.03. (a) As part of the reports and information referred to in Section 6.05 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished,
to ADB all such reports and information as ADB shall reasonably request concerning (i) the Counterpart Funds and the use thereof; and (ii) the implementation of the Program, including the accomplishment of the targets and carrying out of the actions set out in the Policy Letter.

(b) Without limiting the generality of the foregoing or Section 6.05 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB quarterly reports on the carrying out of the Program and on the accomplishment of the targets and carrying out of the actions set out in the Policy Letter.

ARTICLE V
Suspension; Acceleration of Maturity

Section 5.01. The following are specified as additional events for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 8.01(m) of the Loan Regulations:

(a) the Borrower shall have failed to perform one or more of its obligations under the Project Loan Agreement;

(b) the Borrower shall have failed to perform one or more of its obligations under the SCF Loan Agreement;

(c) the Borrower shall have failed to perform one or more of its obligations under the SCF Grant Agreement; or

(d) the Borrower shall have failed to perform one or more of its obligations under the GAFSP Grant Agreement.

Section 5.02. The following are specified as additional events for acceleration of maturity for the purposes of Section 8.07(d) of the Loan Regulations: any of the events specified in Section 5.01 of this Loan Agreement shall have occurred.

ARTICLE VI
Effectiveness

Section 6.01. The following are specified as additional conditions to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the Loan Regulations:

(a) the Project Loan Agreement shall have been duly executed and delivered on behalf of the Borrower, shall have become legally binding upon the Borrower in
accordance with its terms, and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Loan Agreement) shall have been fulfilled;

(b) the SCF Loan Agreement shall have been duly executed and delivered on behalf of the Borrower, shall have become legally binding upon the Borrower in accordance with its terms, and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Loan Agreement) shall have been fulfilled;

(c) the SCF Grant Agreement shall have been duly executed and delivered on behalf of the Borrower, shall have become legally binding upon the Borrower in accordance with its terms, and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Loan Agreement) shall have been fulfilled;

(d) the GAFSP Grant Agreement shall have been duly executed and delivered on behalf of the Borrower, shall have become legally binding upon the Borrower in accordance with its terms, and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Loan Agreement) shall have been fulfilled;

(e) MEF shall have established the PMO and appointed key staff including PMO director, procurement officer, finance and accounting officer and a safeguard officer; and

(f) the Borrower has, to the full satisfaction of ADB, met the policy actions for the release of the First Tranche specified in Attachment 2 to Schedule 3 of this Loan Agreement.

Section 6.02. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of the Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

ARTICLE VII

Miscellaneous

Section 7.01. The Minister of Economy and Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the Loan Regulations:

For the Borrower

The Ministry of Economy and Finance
Phnom Penh
Cambodia
Facsimile Numbers:
(855-23) 427 798
(855-23) 428 424.

For ADB
Asian Development Bank
6 ADB Avenue
Mandaluyong City
1550 Metro Manila
Philippines
Facsimile Numbers:
(632) 636-2444
(632) 636-2231.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of the ADB.

KINGDOM OF CAMBODIA

By ________________________________
H.E. KEAT CHHON
Deputy Prime Minister
Minister of Economy and Finance

ASIAN DEVELOPMENT BANK

By ________________________________
ERIC SIDGWICK
Country Director
Cambodia Resident Mission
SCHEDULE 1

Description of the Program

1. The principal objective of the Program is to enhance production of quality rice in Cambodia while preserving the natural resource base and the scope includes establishment of a conducive legal and regulatory environment to facilitate rice commercialization by: (a) promoting local seed production and distribution; (b) strengthening agricultural land management; (c) strengthening farmers’ organizations and promoting contract farming; and (d) facilitating domestic trading and export of milled rice. The Program is described in more detail in the Policy Letter.

2. The Program is expected to be completed by 31 December 2016.
**SCHEDULE 2**

Amortization Schedule

(*Climate Resilient Rice Commercialization Sector Development Program*)

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<thead>
<tr>
<th>Date Payment Due</th>
<th>Payment of Principal (expressed in Special Drawing Rights)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 December 2021</td>
<td>498,594</td>
</tr>
<tr>
<td>1 June 2022</td>
<td>498,594</td>
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<td>1 June 2023</td>
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<tr>
<td>1 June 2024</td>
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<tr>
<td>1 December 2024</td>
<td>498,594</td>
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<tr>
<td>1 June 2025</td>
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<tr>
<td>1 December 2025</td>
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<tr>
<td>1 June 2026</td>
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<td>1 December 2026</td>
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<td><strong>Total</strong></td>
<td><strong>15,955,000</strong></td>
</tr>
</tbody>
</table>

* The arrangements for payment are subject to the provisions of Sections 3.04 and 4.03 of the Loan Regulations.
SCHEDULE 3
Withdrawal of Loan Proceeds

1. Except as ADB may otherwise agree, the following provisions of this Schedule shall apply to the withdrawal of Loan proceeds from the Loan Account.

2. (a) An application for withdrawal from the Loan Account shall be submitted to ADB by the Borrower and shall be in a form satisfactory to ADB.

(b) Such withdrawal applications shall be accompanied by a certificate of the Borrower confirming that with respect to each year during which the proceeds of the Loan are expected to be disbursed, the value of the Eligible Imports is expected to be greater than the amount of the Loan expected to be disbursed during such year.

(c) The Borrower shall allow experts appointed by ADB to verify the value of Eligible Imports during any period in respect of which the Borrower has certified the value of Eligible Imports in its withdrawal application.

3. (a) Prior to submitting the first application to ADB for withdrawal from the Loan Account, the Borrower shall nominate an account (the Deposit Account) at the National Bank of Cambodia into which all withdrawals from the Loan Account shall be deposited. The Deposit Account shall be established, managed and liquidated in accordance with terms and conditions satisfactory to ADB.

(b) Separate accounts and records in respect of the Deposit Account shall be maintained in accordance with accounting principles acceptable to ADB. Upon ADB’s request, the Borrower shall have the financial statements for the Deposit Account audited by independent auditors, whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB. Promptly after their preparation but in any event not later than 6 months after the date of ADB’s request, copies of such audited financial statements and the opinion of the auditors on the financial statements, in the English language, shall be furnished to ADB.

(c) Throughout the Program implementation period, the Borrower shall submit trade statistics and any other information as ADB may require from time to time to assess the Borrower’s compliance with the formula for determining Eligible Imports.

4. No withdrawal shall be made from the Loan Account for the First Tranche unless ADB is satisfied that the Borrower has met the policy actions for the release of the tranche specified in Attachment 2 to this Schedule.

5. Notwithstanding any other provisions of this Loan Agreement and except as ADB may otherwise agree, no withdrawals shall be made from the Loan Account for the Second Tranche unless ADB is satisfied, after consultation with the Borrower, that (a) sufficient progress has been achieved by the Borrower in the carrying out of the Program; (b) the policy actions that were met for the release of the First Tranche continue to be complied with by the Borrower; and (c) the Borrower has met the policy actions for the release of the Second Tranche specified in Attachment 3 to this Schedule.
Negative List

No withdrawals will be made for the following:

(i) expenditures for goods included in the following groups or sub-groups of the United Nations Standard International Trade Classification, Revision 3 (SITC, Rev. 3) or any successor groups or sub-groups under future revisions to the SITC, as designated by ADB by notice to the Borrower:

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Heading</th>
<th>Description of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>112</td>
<td>121</td>
<td>Alcoholic beverages, tobacco, unmanufactured; tobacco refuse</td>
</tr>
<tr>
<td>122</td>
<td>525</td>
<td>Tobacco, manufactured (whether or not containing tobacco substitute)</td>
</tr>
<tr>
<td>718</td>
<td>525</td>
<td>Radioactive and associated materials</td>
</tr>
<tr>
<td>718</td>
<td>667</td>
<td>Pearls, precious and semiprecious stones, unworked or worked</td>
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<tr>
<td>728</td>
<td>667</td>
<td>Nuclear reactors, and parts thereof, fuel elements (cartridges), nonirradiated for nuclear reactors</td>
</tr>
<tr>
<td>728.43</td>
<td>728</td>
<td>Tobacco processing machinery</td>
</tr>
<tr>
<td>897</td>
<td>897.3</td>
<td>Jewelry of gold, silver or platinum-group metals (except watches and watch cases) and goldsmiths’ or silversmiths’ wares (including set gems)</td>
</tr>
<tr>
<td>971</td>
<td>971</td>
<td>Gold, nonmonetary (excluding gold ore and concentrates)</td>
</tr>
</tbody>
</table>


(ii) expenditures in the currency of the Borrower or for goods supplied from the territory of the Borrower;

(iii) expenditures for goods supplied under a contract that any national or international financing institution or agency will have financed or has agreed to finance, including any contract financed under any loan or grant from the ADB;

(iv) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;

(v) expenditures for narcotics;

(vi) expenditures for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party; and

Policy Actions for Release of the First Tranche

A. Promote Local Seed Production and Distribution

1. Develop Rice Seed Sector
   MAFF shall have drafted the Cambodian Seed Policy.

2. Implement the Law on Seed Management and Plant Breeders’ Rights (2008)
   (a) MAFF shall have drafted the National Seed Standards.
   (b) MAFF shall have drafted the Prakas on Procedures for Providing Seed Quality Certification.
   (c) MAFF shall have drafted the General Introduction to the Examination of Distinctiveness, Uniformity and Stability of New Varieties of Plants.
   (d) MAFF shall have drafted the Guidelines for the Conduct of Tests for Distinctiveness, Uniformity and Stability of Rice.

B. Strengthen Agricultural Land Management

Strengthen the Legal Framework for Agricultural Land Management

(a) The Borrower shall have issued the National Policy on Spatial Planning.

(b) The Council for Land Policy shall have drafted the Land Policy “White Paper”, including a chapter on Land and Gender Policy.

C. Strengthen Farmers’ Organizations and Promote Contract Farming

1. Regulate Farmers’ Organizations
   MAFF shall have drafted the Law on Agricultural Cooperatives.

2. Promote Contract Farming in Rice Production
   The Borrower shall have issued the Sub-decree on Contract Farming.

D. Facilitate Domestic Trading and Export of Milled Rice

1. Establish Standard Specifications for Cambodian Milled Rice
   MIME shall have issued the Cambodian standards on milled rice.
2. **Establish Phyto-sanitary Regulations**

MAFF shall have drafted the Law on Plant Protection and Phyto-sanitary Measures.

3. **Regulate Distribution and Use of Pesticides and Fertilizers**

The Borrower shall have issued the Law on the Management of Pesticides and Fertilizers.
Policy Actions for Release of the Second Tranche

A. Promote Local Seed Production and Distribution

1. Develop Rice Seed Sector

MAFF shall have issued the Cambodian Seed Policy.

2. Implement the Law on Seed Management and Plant Breeders' Rights (2008)

   (a) MAFF shall have issued the National Seed Standards.

   (b) MAFF shall have issued the Prakas on Procedures for Providing Seed Quality Certification.

   (c) MAFF shall have issued the General Introduction to the Examination of Distinctiveness, Uniformity and Stability of New Varieties of Plants.

   (d) MAFF shall have issued the Guidelines for the Conduct of Tests for Distinctiveness, Uniformity and Stability of Rice.

B. Strengthen Agricultural Land Management

1. Strengthen the Legal Framework for Agricultural Land Management

   (a) The Borrower shall have issued the Land Policy “White Paper”, including a chapter on Land and Gender Policy.

   (b) MAFF shall have drafted the Law on Management and Use of Agricultural Land, focusing inter alia, on (i) women’s access to information on land administration, management and distribution; (ii) women’s equal participation and representation in all commissions and committees; and (iii) equal benefits for women in land related initiatives.

2. Promote Sustainable Land Management

   MAFF shall have prepared and the Borrower shall have adopted the national action program to combat land degradation in Cambodia.

3. Develop Land-use Zoning

   MAFF shall have issued guidelines for establishing agricultural land-use zones, incorporating measures and targets for involving women in planning and decision making.
C. **Strengthen Farmers’ Organizations and Promote Contract Farming**

   **Regulate Farmers’ Organizations**

   MAFF shall have submitted the draft Law on Agricultural Cooperatives to the National Assembly.

D. **Facilitate Domestic Trading and Export of Milled Rice**

1. **Establish Standard Specifications for Cambodian Milled Rice**

   MIME shall have issued standards for various varieties of Cambodian milled rice.

2. **Establish Phyto-sanitary Regulations**

   MAFF shall have submitted the draft Law on Plant Protection and Phyto-s sanitary Measures to the National Assembly.
SCHEDULE 4

Program Implementation and Other Matters

Implementation Arrangements

1. MEF, as the Program Executing Agency, shall have the overall responsibility for the implementation of the Program, maintenance of all Program records, reporting to ADB, and disbursement and administration of the Loan proceeds.

Policy Actions and Dialogue

2. The Borrower shall: (a) ensure that all policy actions adopted under the Program as set forth in the Policy Letter and the policy matrix continue to be in effect for the duration of the Program and subsequently; and (b) adopt all policy actions under the Program, as set forth in the Policy Letter and the policy matrix, in accordance with the planned schedule and shall ensure that such policy actions continue to be in effect for the duration of the Program and subsequently.

3. The Borrower shall keep ADB informed of policy discussions with other multilateral and bilateral aid agencies that may have implications for the implementation of the Program and shall provide ADB with an opportunity to comment on any resulting policy proposals. The Borrower shall take into account ADB’s views before finalizing and implementing any such proposal.

Use of Counterpart Funds

4. The Borrower shall ensure that the Counterpart Funds are used to finance the structural adjustment costs relating to the implementation of the reforms under the Program and other activities consistent with the objectives of the Program. The Borrower shall further ensure that the Counterpart Funds are used in accordance with its Standard Operating Procedures.

Procurement

5. The Borrower shall ensure that each contract for Eligible Items is awarded on the basis of the purchaser’s normal commercial procurement practices in the case of procurement by the private sector, or the Borrower’s prescribed procurement procedures in the case of procurement by the public sector, having due regard for principles of economy and efficiency.

Governance and Anticorruption

6. The Borrower shall, and shall cause MEF, MAFF, MLMUPC and MIME to, (a) comply with ADB’s Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Program; and (b) cooperate with any such investigation and extend all necessary assistance, including access to all relevant books and records, for satisfactory completion of such investigation.